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SUBJECT: PARAGUAY DEMOCRACY BUILDING: SUCCESS STORIES AND
BEST PRACTICES

REF: STATE 182307

1. In support of the Secretary's emphasis on transformational diplomacy and the request of FSI's Leadership and Management School, the following is a short list of success stories and best practices, submitted AMEmbassy Asuncion.

Municipal Finance

2. USAID sponsored efforts have helped local governments strengthen their response to citizens, needs by providing improved public services, such as potable water, garbage collection, street improvements and maintenance, health clinics, and schools financed with enhanced revenue collection and increased expenditure effectiveness. As tax collection has improved, related activities have promoted citizen participation in local decision-making, transparency, accountability and integrity to control corruption and increase citizens, faith in their local government. As a result, local governments are demonstrating that democracy does work by listening and involving and responding to their citizens.

3. Since 2002, 40 municipalities have increased property and commercial tax collection by an average of 60 percent, resulting in an additional \$6 million in revenue; more than 200 new or improved local services have been implemented; and over 100 transparency and participation governance mechanisms, such as public budget hearings, citizen committees for monitoring public works, access to information policies, and education and development councils have been implemented. Municipalities have increased accountability to their citizens through transparent budgeting, improvements in financial software, setting internal controls, and removing corrupt public officials from office. The overall result of USAID's local government program has been that people have learned how democracy works at the local level by exercising their rights and responsibilities and seeing that democratic institutions can be responsive, credible, and promote good governance.

Global Development Alliance (GDA)

4. In 2004, USAID initiated a GDA with a local NGO, Alter Vida, to strengthen good governance and to facilitate local economic development. USAID emphasizes empowering local partner organizations to negotiate alliances, build agreements with the business sector, and reach formal agreements among donors. Three significant alliances were formed during the first year of project implementation:

-- A bio-diesel project that will include a new processing plant and coconut micro-producers benefiting 500 families has obtained USD 1.2 million in funding with USAID assistance. This project works with a private bottling company, the Catholic Church, six municipal governments and one departmental government.

-- A 15-year recycling project to improve life conditions of Asuncion metropolitan area solid waste landfill "recyclers" is part of a loan and grant from the IDB and other resources. The project works closely with the Municipality of Asuncion, landfill recyclers and their associations, civil society organizations, and businesses to sell recycled materials to industrial plants for re-processing.

-- Recently, an environmental decentralization project working in coordination with the National Environmental Secretariat in one department was approved with USAID

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support. This will transform a completely centralized and ineffective bureaucracy by decentralizing powers and functions and establishing legal, administrative and operational structures that allow for environment control and auditing at the departmental level in such areas as environmental impact studies.

15. These three projects have mobilized funds and a small portion of in-kind resources for a total of USD 2,072,860, of which only USD 130,545 are USAID funds. This approach should help make these types of projects more sustainable, involves a diversity of actors, helps build local capacity, focuses USAID partner on looking for new resources, promotes a greater sense of ownership, and USAID achieves a greater development impact. Alliance members are beneficiaries and contributors to the program goals based on common interests.

Congressional Public Hearings

16. In 2004, USAID took advantage of its unique experience in promoting public hearings in the Congress and developed a standard operating procedures guide and internal regulations for both chambers of the Congress. With these procedures, public hearings on proposed legislation at the Congress are now being implemented in a more systematic and transparent way. This has proved to be a key instrument for ensuring citizen participation and the involvement of other sectors of the Paraguayan society in the legislative process. Prior to this assistance there had only been three public hearings in the Congress. After the guide was developed and training provided, there have been 34 hearings in a one-year period (September 2004 - September 2005). USAID provided approximately USD 35,000 to support this activity, demonstrating that even with small amounts of funding successful results can be achieved.

Citizen Participation in Political Process

17. For more than a year, USAID provided support to a multi-sectorial advocacy group of more than 20 civil society organizations, representatives from the National Integrity Commission, media representatives, and members of the Congress in developing a draft Freedom of Information Act. The group presented the draft legislation to 16 legislators and a public hearing was held to receive input. The legislation is now in committee for review.

Human Rights

18. In August and September of this year, the Commander of the Armed Forces, General Jose Kanazawa, twice issued a mea culpa for errors committed by military personnel under his command. Military personnel have been accused of harassment, beatings and killings of civilians as well as deaths of conscripts. This action shows progress in the GOP and its more senior officials recognizing the importance of human rights. The speeches by General Kanazawa were in public venues and, in one case, President Nicanor Duarte Frutos was present and accepted the apology.

Trafficking in Persons

19. The GOP and the US Embassy, along with the Department of Homeland Security, organized and conducted a Trafficking in Persons Assessment study to assess conditions and make recommendations for immigration and border controls that would assist them in combating the problem of trafficking in persons, which has increased by 27 percent in the last 5 years. The study is a blueprint for directing USG resources over the next few years to assist the GOP in its efforts. Also, it identifies key areas where the GOP will need to focus to curb the increase in trafficked persons.

Anti-Corruption and Rule of Law

10. The public continues to suspect the government of widespread corruption and complains about impunity. However, President Nicanor Duarte Frutos continues to denounce corruption both in public and in private. There are a number of achievements and reforms, either undertaken or under consideration -- several with USG support -- that reflect well on the government's reform record and intentions, including:

-- Strong U.S.-Paraguayan counter-drug cooperation, building on DEA support and INL funding, highlighted by the arrest of Mendes Mesquita, a notorious Brazilian drug trafficker from the Beira Mar organization, in November 2004, and his extradition to the U.S., in June 2005, in the face of significant political pressure for his release;

-- UTE, the anti-piracy unit supported by INL funding has a strong track record of seizures of counterfeit goods. The

unit's leader, after being offered USD 40,000 to release several containers of merchandise, worked the case that culminated in the 9/15 arrest of a politically connected (Colorado) customs official from the Ciudad del Este area who has been an important player in facilitating trade in contraband and counterfeit goods in the region;

-- Establishment of a respectable and well trained FIU thanks in large measure to the support of a Treasury Department Office of Technical Assistance (OTA) Resident Enforcement Officer (REA) and INL funding used for training and equipment;

-- Creation of three new investigative units: in Customs - the tax administration and an anti-corruption unit - and, an inspector general unit within the Ministry of Finance, all under the guidance of OTA REA and trained and equipped in part with INL funds;

-- The first-time conviction of individuals, in late 2004, for involvement in trafficking in persons (unfortunately the two convicted were released on appeal, but we remain reasonably confident the Supreme Court will reinstate their six year sentences);

-- The first-time conviction of a customs employee for illicit enrichment earlier this year on the basis of a law adopted in late 2004;

-- A continued increase in year-on-year tax and customs revenues, sustaining momentum following huge gains realized in the government's first year;

-- Reforms by the Judicial Council, supported by USAID, to reduce political factors in the selection of judges and prosecutors, through the introduction of more objective selection criteria, including a written examination;

-- Requests by the Ministry of Finance and the Supreme Court for USAID assistance in the development of whistle blower protection programs;

-- Announcement of a new tax regime to encourage formalization of some of the leading commercial sectors in Ciudad del Este, a haven for contraband, piracy, and other illegal activity.

-- Continued strong macroeconomic management, supported by President Duarte, that has led to strong performance under Paraguay's IMF program, a public commitment to seek a follow-on program to last through Duarte's term, and continued fiscal restraint expected to achieve a balanced budget this year.

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